

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 EB-11 COME-00 INT-08 TRSE-00 SCEM-02

SS-15 NSC-10 XMB-07 FPC-01 PRS-01 CIEP-02 OMB-01 L-03

CIAE-00 INR-10 NSAE-00 RSC-01 PA-03 USIA-15 RSR-01

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 6150

INFO AMEMBASSY JAKARTA

S E C R E T TOKYO 10678

E.O. 11652: GDS

TAGS: ENRG, ETRN, JA, ID

SUBJECT: INDONESIAN LNG

REF: A. STATE 164627; B. TOKYO 10585

SUMMARY: DIRECTOR GENERAL YAMAGATA OF MITI ENERGY AGENCY TOLD ECOUNS JAPAN DID NOT INTEND TO MONOPOLIZE ALL OF VAST NATURAL GAS RESERVES IN INDONESIA, AND DID NOT WISH VIOLATE SPIRIT OF COOPERATION WITH US ON ENERGY AREA. IN RESPONSE SPECIFIC QUESTIONS, YAMAGATA SUGGESTED DISCUSSION BE DEFERRED UNTIL GOJ COULD BE CERTAIN OF GOI INTENTIONS ON ALLOCATION OF GAS. END SUMMARY.

1. IN ABSENCE OF ECONCOM/MIN, ECOUNS CALLED ON YAMAGATA, DIRGEN OF MITI'S NEW ENERGY AGENCY AUGUST 21. PER INSTRUCTIONS, ECOUNS STRESSED THAT WE WERE SEEKING AUTHORITATIVE INFORMATION FROM GOJ TO COUNTER CRITICISM FROM SOURCES WITHIN US THAT JAPAN ATTEMPTING TO FREEZE US OUT OF LNG RESOURCES FROM INDONESIA. ECOUNS STRESSED THAT SUCH A FREEZE OUT WOULD BE CONTRARY TO SPIRIT OF COOPERATION ON ENERGY MATTERS ESTABLISHED AT ECONCOM IX AND TANAKA-NIXON SUMMIT.

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2. YAMAGATA REPLIED THAT PERHAPS THERE WAS SOME MISUNDERSTANDING. JAPAN DID NOT DESIRE AND INDEED COULD NOT MONOPOLIZE ALL THE INDONESIAN NATURAL GAS RESERVES WHICH HAD BEEN ESTIMATED AT UP TO 20 TRILLION CUBIC METERS.

YAMAGATA NOTED THAT JAPAN HAD A SEVERE POLLUTION PROBLEM, AND NEW POWER PLANT CONSTRUCTION WOULD RELY ALMOST EXCLUSIVELY ON LNG. FOR THIS REASON, JAPAN WISHED TO HAVE ACCESS TO "A CERTAIN FIXED QUANTITY OF NATURAL GAS FROM INDONESIA." THIS HOWEVER WOULD NOT TAKE ALL OF THE PROVEN GAS RESERVES OF INDONESIA. THERE WOULD BE EXCESS OVER JAPANESE REQUIREMENTS.

3. SINCE IT NOT CLEAR AT THAT POINT WHETHER YAMAGATA REFERRING TO INDONESIA'S RESERVES IN GENERAL SENSE OR TO TWO SPECIFIC PROJECTS IN NORTH SUMATRA AND KALIMANTAN, E/COUNS REITERATED THAT HIS REQUEST FOR CLARIFICATION RELATED TO OFF-TAKE FROM TWO PROJECTS. YAMAGATA RESPONDED THAT GOJ WOULD LIKE TO CONFIRM ITS PRESENT UNDERSTANDING OF GOI'S INTENTIONS, SINCE JAPAN COULD NOT DECIDE QUESTION OF ALLOCATION OF GAS RESOURCES ON ITS OWN. THUS YAMAGATA SUGGESTED THAT IT WOULD BE MORE FRUITFUL TO CONTINUE DISCUSSIONS WITH E/COUNS AND REPLY TO SPECIFIC US QUESTIONS AFTER DETERMINING GOI'S POSITION. CABLE WOULD BE SENT TODAY TO ELICIT THIS INFORMATION, YAMAGATA ADDED.

4. WHILE CONCEDING THAT GOI'S INTENTIONS OBVIOUSLY IMPORTANT FACTOR, E/COUNS RETURNED TO QUESTION OF JAPANESE INTENTIONS. YAMAGATA STATED THAT JAPANESE DID NOT INTEND TO SEEK ENTIRE OFF-TAKE OF TWO FIELDS, BUT RATHER ABOVE-MENTIONED QTE FIXED QUANTITY OF GAS UNQTE, WHICH MIGHT BE THAT QUANTITY PRODUCED BY JAPANESE-FINANCED PLANTS. YAMAGATA DID NOT KNOW, HOWEVER, HOW MANY PLANTS WERE IN QUESTION OR WHETHER THERE WOULD BE A PROBLEM OF CONSTRUCTING JAPANESE-FINANCED AND US-FINANCED PLANTS CONCURRENTLY. IN ANY EVENT, YAMAGATA AGAIN STRESSED THAT THERE WAS NO DESIRE TO MONOPOLIZE ENTIRE INDONESIAN LNG OUTPUT.

5. IN CONCLUSION YAMAGATA STRESSED THAT JAPAN ATTACHED
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THE HIGHEST PRIORITY TO US-JAPAN COOPERATION IN ENERGY AREA AND WISHED DO NOTHING TO VIOLATE SPIRIT OF COOPERATION. YAMAGATA PROMISED INFORM U.S. BEFORE ANY ACTION TAKEN, AND SAID HE WOULD BE IN CONTACT WITH EMBASSY AGAIN SOON.

6. SUBSEQUENTLY, EMBOFF MET AGAIN (SEE REFTEL B) WITH S. SARWONO, VICE PRESIDENT OF PERTIMINA-AFFILIATED FAR EAST OIL TRADING COMPANY. SARWONO SAID TALKS BETWEEN

JAPANESE INTERESTS (BUSINESS AND GOVERNMENT) AND PERTIMINA DIRECTOR SOEDARNO HAD CONCLUDED AND SOEDARNO WOULD LEAVE TOKYO FOR JAKARTA ON AUG 22. SARWONO SAID AGREEMENT HAD BEEN REACHED THAT JAPAN WOULD PURCHASE AT LEAST EIGHT MILLION TONS OF LNG PER YEAR (FROM TIME WHEN FULL PRODUCTION REACHED IN ABOUT 1980); HOWEVER, SOEDARNO HAD TURNED DOWN JAPANESE REQUEST FOR MORE GAS ON GROUNDS THAT JAPAN COULD NOT GUARANTEE TO CONSUME MORE THAN EIGHT MILLION TONS ANNUALLY AND HAD INFORMED JAPANESE THAT ABOUT FOUR MILLION TONS WOULD BE SOLD TO U.S. (OF TWELVE MILLION TONS, SARWONO SAID HUFFINGTON CONCESSION WILL SUPPLY 3.5 AND MOBIL CONCESSION WILL SUPPLY 8.5 MILLION TONS BY 1980).

7. SARWONO EXPLAINED THAT JAPANESE APPARENTLY NOT CONVINCED THAT SOEDARNO CAN SPEAK FOR GOI AND THUS PLAN SEND CABLE TO JAPANESE EMBASSY IN JAKARTA ASKING IT TO CLARIFY WITH GOI DISCREPANCIES BETWEEN RADIUS-MOROZUMI MEMORANDUM AND SOEDARNO POSITION. (QUESTIONS, ACCORDING SARWONO, INCLUDE PRICE AND U.S. SHARE). SARWONO ADDED THAT IT STILL PERTIMINA'S PLAN TO PURCHASE EIGHTEEN LNG TANKERS FROM GENERAL DYNAMICS, OR PERHAPS OTHER U.S. COMPANIES IF GENERAL DYNAMICS CANNOT MEET DELIVERY SCHEDULE.
SHOESMITH

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